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INTELLIGENCE REPORT

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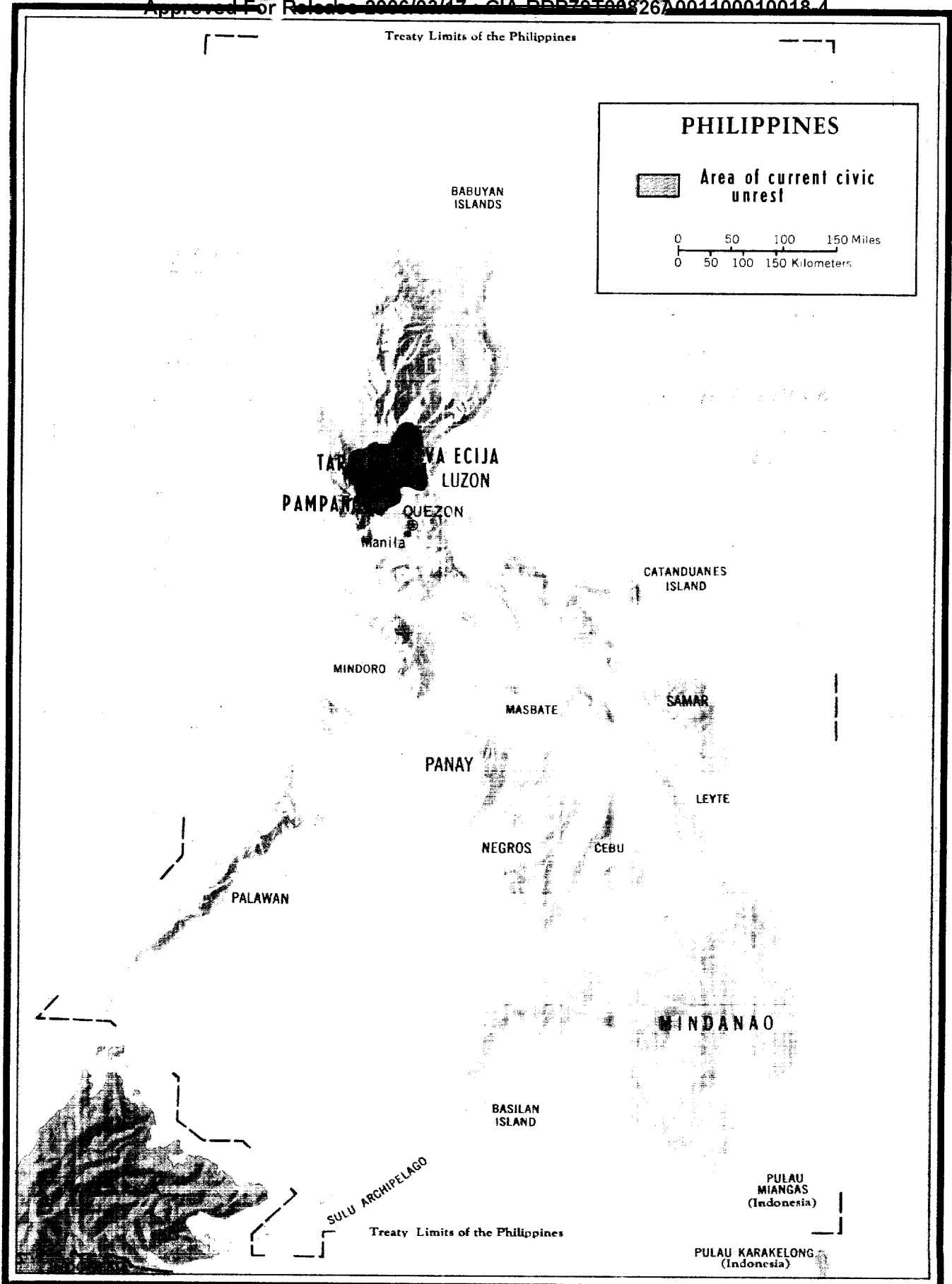
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1. PHILIPPINES

President Marcos' agenda for his visit to Washington next month is likely to include a request for support for his campaign to bring order to the Philippine countryside.

Soon after taking office, Marcos began a program of military and civic action aimed at wiping out the sources of discontent in central Luzon, which have been exploited by remnants of the pro-Communist Huk movement and other lawless elements (see map).

This government campaign is believed to have disrupted long-standing covert relationships between these groups and some local officials, and most observers see the recent upsurge of terrorism in central Luzon as a reaction to this campaign. The most notable terrorist incident was the assassination, allegedly by Huk elements, of a strongly anti-Communist mayor in Pampanga Province in mid-July.

The Huks have never really recovered from the defeat administered them by the late President Magsaysay in the 1950s, although Filipino leaders raise the specter of their revival from time to time, both for domestic political reasons and as a lever for seeking greater US aid.

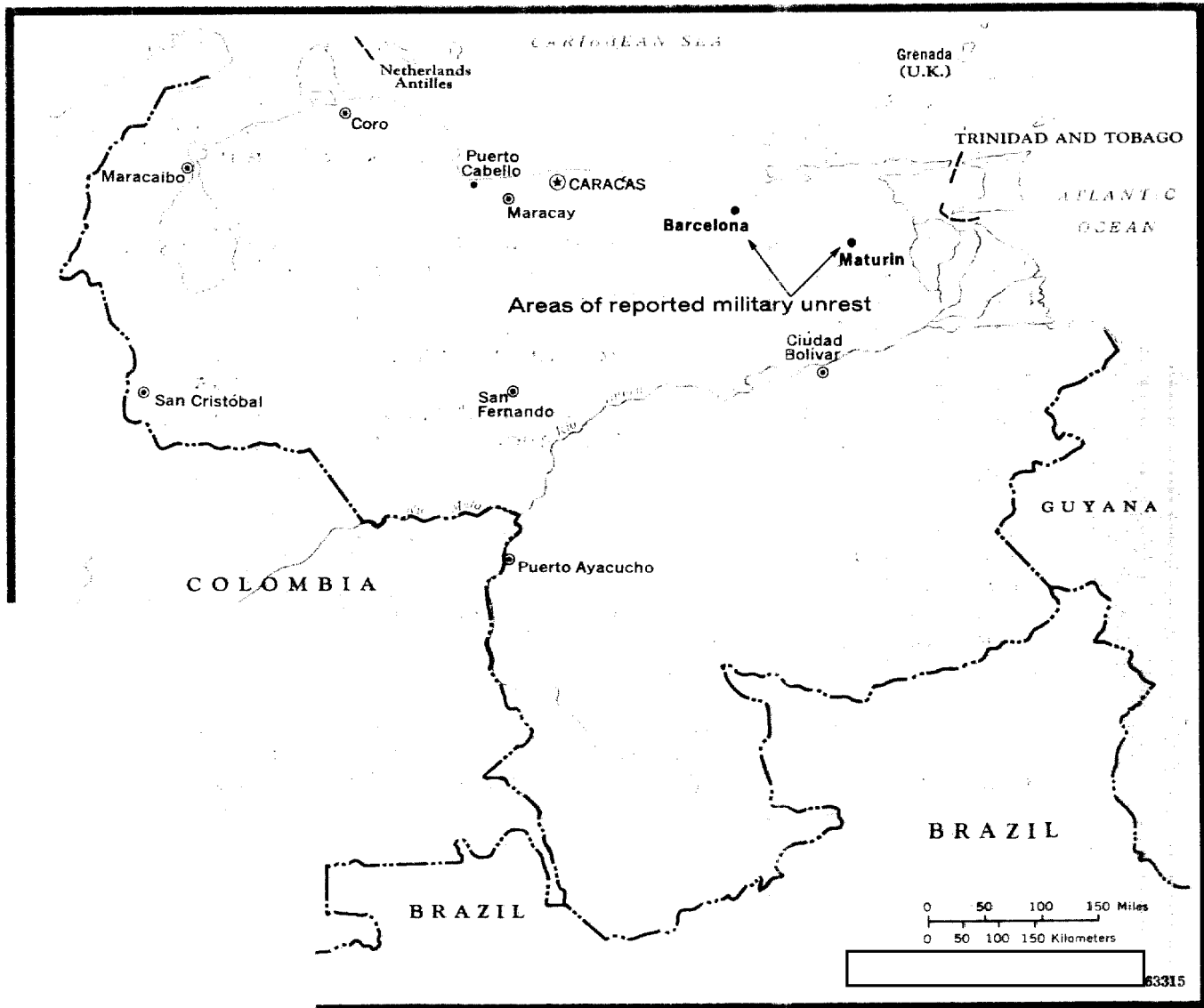
These warnings may come to have greater validity if Marcos' reform program does not succeed, inasmuch as central Luzon provides an ideal environment for a Huk revival.

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VENEZUELA



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2. VENEZUELA

Increasing stress and strain in the Venezuelan body politic have brought on new unrest within the military.

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army chief of staff General Roberto Morean is "deeply concerned." The defense attaché also reports discontent among a small number of radical junior naval officers and that an uprising reportedly being planned by leftist elements in the garrison in Barcelona, some 160 miles east of Caracas, is under investigation. Higher military circles are also nervous over the discovery of Communist infiltration of the officer corps at the Maturin garrison farther east (see map).

Many military officers fear the government is drifting leftward. They are displeased with the administration's recently proposed tax and education reform bills, and with the alleged inept handling of Congress by the Leoni government, which led to a walkout by the opposition in late July. This adds to uncertainties already generated by political maneuvering in preparation for the 1968 elections and by the government's controversial policy toward the vital oil industry.

Despite this unrest the situation at this time does not appear sufficiently serious to warrant a coup attempt, and the ending of the congressional walkout on 5 August will calm the situation for the moment. Nevertheless, the underlying causes of political and military discontent remain.

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3. NICARAGUA

Lorenzo Guerrero, the new president, is unlikely to make any major changes in foreign or domestic policies during his nine-month tenure to fill out the term of President Schick, who died on 3 August.

Inasmuch as he will be heading primarily a caretaker government, the decision-making process may well slow down, as Guerrero is not the type to rock the boat. He is said to be a good administrator

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Guerrero's political fortunes rose along with those of the Somozas, with whom he has business connections. He will be even less of a moderating influence than was Schick on the ambitions of General Anastasio Somoza Debayle, who recently received the governing Liberal Party's nomination for president. The opposition now will probably feel less confident that there will be an honest election in February. Somoza and his Liberal Party are considered certain winners.

Somoza will probably make efforts to honor his party's promises for some social and economic change favoring the lower income groups. These, however, will be more token in nature than were the efforts made by Schick, and probably will not make any substantial dent in Nicaragua's sizable number of problems.

No obstacles to the proposed US aid program of about \$13 million in fiscal year 1968 are expected to emerge. However, the image of the Nicaraguan military is unlikely to improve to a point that would facilitate substantial aid to public safety and civic action programs.

In foreign affairs, both Guerrero and Somoza are expected to continue Nicaragua's support for the United States on world issues. Such support is now expressed by opposition to the Castro regime, participation in the OAS effort in the Dominican Republic, and by voicing kind words on Vietnam. Participation in the OAS and the Central American Common Market is also expected to remain constant.

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